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FISCAL IMPACT STATEMENT

LS 7479

BILL NUMBER: SB 488

NOTE PREPARED: Jan 20, 2007

BILL AMENDED:

SUBJECT: Tax Credits for Certain Teachers.

FIRST AUTHOR: Sen. Ford

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **X** _____ **GENERAL**
 X **DEDICATED**
 FEDERAL

IMPACT: State&Local

Summary of Legislation: *Tuition Credit:* This bill grants a refundable income tax credit to a certified teacher who pursues a course in science, technology, engineering, health, or mathematics at an accredited college or university.

Teacher Credit: The bill grants a refundable income tax credit to a certified teacher for teaching or preparing to teach a science or mathematics course. It provides that the amount of the credit for teaching or preparing to teach a science or mathematics course is determined by calculating the percentage of hours spent teaching or preparing to teach a science or mathematics course versus the number of hours spent teaching or preparing to teach all courses.

Transition to Teaching: The bill provides that a college graduate with a degree in the area of mathematics or science, and at least a 2.5 grade point average on a 4.0 scale in those areas, may participate in the Transition to Teaching Program, so long as the graduate goes on to teach in the area of mathematics or science. There currently have been about 1,344 Transition to Teaching licenses issued; about 142 of the licenses are in the mathematics and science.

Effective Date: July 1, 2007; January 1, 2008.

Explanation of State Expenditures: The Department of State Revenue (DOR) will incur additional expenses to revise tax forms, instructions, and computer programs to reflect the new tax credits for certain

tuition costs of teachers and math and science teaching. The DOR's current level of resources should be sufficient to implement the new tax credits.

Explanation of State Revenues: *Tuition Credit:* The bill would reduce Adjusted Gross Income (AGI) Tax liabilities of individual taxpayers who are licensed teachers and incur costs of tuition, fees, textbooks, and materials for an eligible math or science course. The revenue loss from this credit is indeterminable as the number of teachers enrolling in, or who might enroll in, eligible courses is unknown. The revenue loss could be significant depending upon current continuing education enrollment patterns and response to the credit. Currently, the cost of a 3 hour course at a state college ranges from \$550 to \$942. Textbook and materials cost would serve to increase this range. There are about 60,000 teachers of which about 7,477 are math and science teachers. If 100 teachers each claim the credit for one eligible course with tuition in this range, the reduction in the state income tax would be between \$55,000 and \$94,200. The impact of the tax credit would begin in FY 2009.

Background: The bill establishes a refundable AGI Tax credit for individual taxpayers who are licensed teachers for tuition, fees, and textbook and materials costs paid during the taxable year for an eligible course. The bill defines an eligible course as a course or an equivalent (not including a general health course) that:

(1) is part of a curriculum at an accredited college or university in engineering, mathematics, health, or the physical or biological sciences; and

(2) is designed to prepare a student to work as a technician and at a semiprofessional level in engineering, scientific, or other technological fields that require the understanding and application of basic engineering, scientific, health, or mathematical principles or knowledge.

Since the bill is effective beginning in tax year 2008, the fiscal impact would begin FY 2009. The revenue from the individual AGI Tax is deposited in the state General Fund (86%) and the Property Tax Replacement Fund (14%).

Teacher Credit: The bill would reduce Adjusted Gross Income (AGI) Tax liabilities of individual taxpayers who are licensed teachers and teach a course in science, technology, engineering, or mathematics and the course is part of the CORE 40 curriculum. The revenue loss from this credit could potentially total about \$4.0 M assuming qualified teachers spend about 75% of their total preparation and instructional time on courses that are eligible for the credit. The revenue loss would begin in FY 2009.

Background: The bill establishes a refundable AGI Tax Credit that is equal to \$1,000 multiplied by the percentage of a teacher's total preparation and instructional time during regular school days spent preparing for or instructing "eligible courses." On an full time equivalent basis there are about 5,300 people that could qualify for the tax credit. If these teachers, on average, spend 75% of their total preparation and instructional time preparing for and instructing eligible courses, the revenue loss from the tax credit would total about The amount of the credit would be about \$4.0 M. An "eligible course" is a high school course of study that (1) is in the area of science, technology, engineering, or mathematics; and (2) qualifies for credit under a CORE 40 curriculum. Since the bill is effective beginning in tax year 2008, the fiscal impact would begin in FY 2009. The revenue from the individual AGI Tax is deposited in the state General Fund (86%) and the

Property Tax Replacement Fund (14%).

Transition to Teaching: The bill would allow a person with a bachelor's degree with a grade point average of 2.5 in mathematic or science so long as the person teaches in math or science upon completion of the program. Currently a person needs a 3.0 grade point average in the subject area to qualify for the program. The bill could increase the number of people in the Transition to Teaching program in math and science. There currently have been about 1,344 Transition to Teaching licenses issued; about 142 of the licenses are in the mathematics and science. The impact would probably be minor.

Explanation of Local Expenditures: *Transition to Teaching:* The bill could make it easier for schools to hire mat and science teachers. The impact is probably minor.

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue, Department of Education.

Local Agencies Affected:

Information Sources: Department of Education Databases.

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